

LANTRONIX, INC.**Non-GAAP Financial Information**

Lantronix believes that the presentation of non-GAAP financial information, when presented in conjunction with the corresponding GAAP measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. Management uses the aforementioned non-GAAP measures to monitor and evaluate ongoing operating results and trends to gain an understanding of our comparative operating performance. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations of the non-GAAP financial measures to the financial measures calculated in accordance with GAAP should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The Company has provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

Non-GAAP net income (loss) consists of net income (loss) excluding (i) share-based compensation and the employer portion of withholding taxes on stock grants, (ii) depreciation and amortization, (iii) interest income (expense), (iv) other income (expense), (v) income tax provision (benefit), (vi) severance and restructuring charges, (vii) acquisition related costs (viii) impairment of long lived assets, (ix) amortization of purchased intangibles, (x) fair value remeasurement of earnout consideration, (xi) loss on extinguishment of debt, (xii) litigation settlement costs and (xiii) amortization of manufacturing profit in acquired inventory.

Non-GAAP net income (loss) per share is calculated by dividing non-GAAP net income (loss) by non-GAAP weighted-average shares outstanding (diluted). For purposes of calculating non-GAAP net income (loss) per share, the calculation of GAAP weighted-average shares outstanding (diluted) is adjusted to exclude share-based compensation, which for GAAP purposes is treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method.

Non-GAAP gross profit consists of gross profit excluding (i) share-based compensation and the employer portion of withholding taxes on stock grants, (ii) amortization of manufacturing profit in acquired inventory, and (iii) depreciation and amortization. Non-GAAP gross margin is calculated by dividing non-GAAP gross profit by net revenue.

Lantronix, Inc.
Unaudited GAAP Consolidated Statements of Operations
(In thousands, except per share data)

									Fiscal Year Ended June 30,	
	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	2023	2024
Net revenue	\$ 31,795	\$ 31,506	\$ 32,964	\$ 34,924	\$ 33,031	\$ 37,038	\$ 41,183	\$ 49,075	\$ 131,189	\$ 160,327
Cost of revenue	17,759	17,712	18,328	21,126	18,934	22,007	24,679	30,353	74,925	95,973
Gross profit	14,036	13,794	14,636	13,798	14,097	15,031	16,504	18,722	56,264	64,354
Operating expenses:										
Selling, general and administrative	9,157	9,813	9,946	8,032	9,170	10,224	9,753	11,059	36,948	40,206
Research and development	4,526	5,084	5,067	4,948	5,106	4,725	5,186	5,265	19,625	20,282
Restructuring, severance and related charges	92	82	490	29	20	530	350	523	693	1,423
Acquisition-related costs	213	102	-	-	-	-	-	-	315	-
Fair value remeasurement of earnout consideration	-	(673)	140	86	(9)	-	-	-	(447)	(9)
Amortization of purchased intangible assets	1,419	1,497	1,424	1,464	1,384	1,310	1,310	1,310	5,804	5,314
Total operating expenses	15,407	15,905	17,067	14,559	15,671	16,789	16,599	18,157	62,938	67,216
Income (loss) from operations	(1,371)	(2,111)	(2,431)	(761)	(1,574)	(1,758)	(95)	565	(6,674)	(2,862)
Interest income (expense), net	(262)	(354)	(465)	(404)	(338)	(232)	(171)	(175)	(1,485)	(916)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Other income (expense), net	34	(26)	(29)	(52)	19	(23)	2	9	(73)	7
Income (loss) before income taxes	(1,599)	(2,491)	(2,925)	(1,217)	(1,893)	(2,013)	(264)	399	(8,232)	(3,771)
Provision (benefit) for income taxes	54	118	140	436	(7)	580	159	13	748	745
Net income (loss)	\$ (1,653)	\$ (2,609)	\$ (3,065)	\$ (1,653)	\$ (1,886)	\$ (2,593)	\$ (423)	\$ 386	\$ (8,980)	\$ (4,516)
Basic net income (loss) per share	\$ (0.05)	\$ (0.07)	\$ (0.08)	\$ (0.05)	\$ (0.05)	\$ (0.07)	\$ (0.01)	\$ 0.01	\$ (0.25)	\$ (0.12)
Diluted net income (loss) per share	\$ (0.05)	\$ (0.07)	\$ (0.08)	\$ (0.05)	\$ (0.05)	\$ (0.07)	\$ (0.01)	\$ 0.01	\$ (0.25)	\$ (0.12)
Basic weighted-average shares	35,406	36,352	36,548	36,719	36,982	37,354	37,509	37,697	36,257	37,386
Diluted weighted-average shares	35,406	36,352	36,548	36,719	36,982	37,354	37,509	38,096	36,257	37,386

Lantronix Inc.
Unaudited Reconciliation of Non-GAAP Adjustments
(In thousands, except per share data)

	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Fiscal Year Ended June 30,	
									2023	2024
GAAP net income (loss)	\$ (1,653)	\$ (2,609)	\$ (3,065)	\$ (1,653)	\$ (1,886)	\$ (2,593)	\$ (423)	\$ 386	\$ (8,980)	\$ (4,516)
Non-GAAP adjustments:										
Cost of revenue:										
Share-based compensation	51	61	47	(1)	41	64	66	66	158	237
Employer portion of withholding taxes on stock grants	12	-	1	-	4	1	1	1	13	7
Amortization of manufacturing profit in acquired inventory	24	80	77	44	317	189	190	126	225	822
Depreciation and amortization	130	118	116	102	86	109	144	124	466	463
Total adjustments to cost of revenue	217	259	241	145	448	363	401	317	862	1,529
Selling, general and administrative:										
Costs associated with the investigation										
Separation costs associated with the former CEO and CFO										
Consulting fees for former CEO and CFO										
Costs associated with the contested proxy										
Share-based compensation and related withholding taxes	1,405	1,434	1,293	414	1,273	1,628	1,337	2,010	4,546	6,248
Employer portion of withholding taxes on stock grants	132	10	25	14	37	10	21	19	181	87
Depreciation and amortization	155	260	280	327	334	338	352	369	1,022	1,393
Total adjustments to selling, general and administrative	1,692	1,704	1,598	755	1,644	1,976	1,710	2,398	5,749	7,728
Research and development:										
Share-based compensation	332	370	388	414	428	484	469	471	1,504	1,852
Employer portion of withholding taxes on stock grants	22	2	5	5	13	5	9	4	34	31
Depreciation and amortization	64	63	37	84	108	52	76	72	248	308
Total adjustments to research and development	418	435	430	503	549	541	554	547	1,786	2,191
Restructuring, severance and related charges	92	82	490	29	20	530	350	523	693	1,423
Restructuring, severance and related charges									-	-
Litigation settlement cost (recovery)	-	80	250	-	-	-	-	115	330	115
Acquisition related costs	213	102	-	-	-	-	-	-	315	-
Fair value remeasurement of earnout consideration	-	(673)	140	86	(9)	-	-	-	(447)	(9)
Impairment of long-lived asset	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Amortization of purchased intangible assets	1,419	1,497	1,424	1,464	1,384	1,310	1,310	1,310	5,804	5,314
Total non-GAAP adjustments to operating expenses	3,834	3,227	4,332	2,837	3,588	4,357	3,924	4,893	14,230	16,762
Interest expense (income), net	262	354	465	404	338	232	171	175	1,485	916
Other (income) expense, net	(34)	26	29	52	(19)	23	(2)	(9)	73	(7)
Provision (benefit) for income taxes	54	118	140	436	(7)	580	159	13	748	745
Total non-GAAP adjustments	4,333	3,984	5,207	3,874	4,348	5,555	4,653	5,389	17,398	19,945
Non-GAAP net income (loss)	\$ 2,680	\$ 1,375	\$ 2,142	\$ 2,221	\$ 2,462	\$ 2,962	\$ 4,230	\$ 5,775	\$ 8,418	\$ 15,429
Non-GAAP net income (loss) per share - diluted	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.11	\$ 0.15	\$ 0.23	\$ 0.40
Denominator for GAAP net income (loss) per share - diluted	35,406	36,352	36,548	36,719	36,982	37,354	37,509	38,096	36,257	37,386
Non-GAAP adjustment	1,777	819	839	548	693	1,228	1,674	771	932	1,367
Denominator for non-GAAP net income (loss) per share - diluted	37,183	37,171	37,387	37,267	37,675	38,582	39,183	38,867	37,189	38,753

Lantronix, Inc.
Unaudited GAAP Condensed Consolidated Balance Sheets
(In thousands)

	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024
Assets										
Current assets:										
Cash and cash equivalents	\$ 13,125	\$ 6,805	\$ 12,795	\$ 13,452	\$ 19,479	\$ 22,146	\$ 24,642	\$ 26,237	\$ 13,452	\$ 26,237
Accounts receivable, net	26,669	27,675	25,609	27,682	30,105	30,381	28,542	31,279	27,682	31,279
Inventories, net	45,260	49,156	51,725	49,736	45,796	42,774	40,552	27,698	49,736	27,698
Contract manufacturers' receivable	932	2,784	2,315	3,019	630	1,767	1,562	1,401	3,019	1,401
Prepaid expenses and other current assets	4,571	3,625	3,445	2,662	2,895	2,839	2,586	2,335	2,662	2,335
Total current assets	90,557	90,045	95,889	96,551	98,905	99,907	97,884	88,950	96,551	88,950
Property and equipment, net	4,858	5,081	4,813	4,629	4,926	4,815	4,409	4,016	4,629	4,016
Goodwill	27,151	27,151	27,858	27,824	27,824	27,824	27,824	27,824	27,824	27,824
Intangible assets, net	15,610	14,113	12,029	10,565	9,181	7,871	6,561	5,251	10,565	5,251
Lease right-of-use assets	11,446	10,836	10,413	11,583	11,102	10,617	10,128	9,567	11,583	9,567
Other assets	510	559	485	472	461	589	586	600	472	600
Total assets	<u>\$ 150,132</u>	<u>\$ 147,785</u>	<u>\$ 151,487</u>	<u>\$ 151,624</u>	<u>\$ 152,399</u>	<u>\$ 151,623</u>	<u>\$ 147,392</u>	<u>\$ 136,208</u>	<u>\$ 151,624</u>	<u>\$ 136,208</u>
Liabilities and stockholders' equity										
Current liabilities:										
Accounts payable	\$ 15,378	\$ 16,717	\$ 15,189	\$ 12,401	\$ 9,149	\$ 9,595	\$ 13,845	\$ 10,347	\$ 12,401	\$ 10,347
Accrued payroll and related expenses	4,185	3,209	3,073	2,431	2,539	3,303	4,539	5,836	2,431	5,836
Current portion of long-term debt, net	1,965	2,224	2,484	2,743	3,002	3,002	3,002	3,002	2,743	3,002
Other current liabilities	16,713	15,325	25,206	28,813	34,062	32,089	22,188	10,971	28,813	10,971
Total current liabilities	40,241	39,475	45,952	46,388	48,752	47,989	43,574	30,156	46,388	30,156
Long-term debt, net	18,473	17,723	16,972	16,221	15,471	14,720	13,970	13,219	16,221	13,219
Other non-current liabilities	11,680	11,069	10,535	11,459	11,185	12,138	11,763	11,478	11,459	11,478
Total liabilities	70,394	68,267	73,459	74,068	75,408	74,847	69,307	54,853	74,068	54,853
Commitments and contingencies										
Stockholders' equity:										
Common Stock	4	4	4	4	4	4	4	4	4	4
Additional paid-in capital	290,541	292,930	294,505	295,686	297,007	299,385	301,117	304,001	295,686	304,001
Accumulated deficit	(211,178)	(213,787)	(216,852)	(218,505)	(220,391)	(222,984)	(223,407)	(223,021)	(218,505)	(223,021)
Accumulated other comprehensive income	371	371	371	371	371	371	371	371	371	371
Total stockholders' equity	79,738	79,518	78,028	77,556	76,991	76,776	78,085	81,355	77,556	81,355
Total liabilities and stockholders' equity	<u>\$ 150,132</u>	<u>\$ 147,785</u>	<u>\$ 151,487</u>	<u>\$ 151,624</u>	<u>\$ 152,399</u>	<u>\$ 151,623</u>	<u>\$ 147,392</u>	<u>\$ 136,208</u>	<u>\$ 151,624</u>	<u>\$ 136,208</u>